

IT e YouT^

July 30, 2018

Presentation of Financial Results for the First Three Month of the Fiscal Year Ending March 31, 2019



PMI Project
Registered Management
Education Institute
Provider
PMI Registered Education Provider
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	Page
■ Financial Results for the First Three Month of the Fiscal Year Ending March 31, 2019	
Summary of the Financial Results	2
Net Sales and Gross Profit by Business Segments	3
Net Sales by End-user Sector	5
Net Sales by End-user Sector (Financial Sector)	7
■ Trends of Order Value / Net Sales / Order Backlog	9
■ Reference	
1 : Trends of Financial Results	10
2 : Summary of Medium-term Management Plan (FY2018 ~ FY2020)	11
3 : Efforts in the field of new technology and new business	13
4 : News	14

※ Amounts less than the display unit are rounded down.

Percentage figures are rounded off.



■ Net Sales

Net Sales increased by ¥0.8 billion (+6.0%) year on year, to ¥15.1 billion, reflecting a favorable business environment.

■ Operating Income·Ordinary Income·Net Income

Incomes increased due to an increase in profit by the increased sales.

	2018/3 1Q	2019/3 1Q			2019/3
	Results	Results	YoY	YoY(%)	Estimate (2018/5/10)
Net Sales	14,263	15,112	849	6.0%	60,000
Gross Profit	(19.2%) 2,744	(20.6%) 3,105	(1.3%) 361	13.2%	(21.0%) 12,600
SG & A Expenses	(6.8%) 966	(7.5%) 1,131	(0.7%) 164	17.0%	(7.5%) 4,500
Operating Income	(12.5%) 1,777	(13.1%) 1,974	(0.6%) 197	11.1%	(13.5%) 8,100
Ordinary Income	1,816	1,969	153	8.4%	8,200
Income before Income Taxes	1,804	1,968	163	9.1%	8,200
Net Income Attributable to Owners of the Parent	(7.9%) 1,126	(8.0%) 1,205	(0.1%) 78	7.0%	(9.2%) 5,500

※The ratios on the upper-left corners are percentage to Net Sales.

Net Sales and Gross Profit by Business Segments



(Unit : Millions of yen)

■ Net Sales	2018/3 1Q		2019/3 1Q			
	Results		Results	YoY	YoY(%)	
※ The ratio on the upper-left corners are composition ratio to sales.						
System Solution Services Business	(99.3%)	14,167	(99.4%)	15,018	850	6.0%
System Development Business	(78.5%)	11,192	(76.6%)	11,573	381	3.4%
New technology *	(-)	-	(0.6%)	84	84	-
System Services Business	(16.3%)	2,329	(18.3%)	2,772	443	19.0%
IT as a Service *	(5.1%)	733	(7.4%)	1,125	391	53.4%
System Products Business *	(4.5%)	645	(4.4%)	671	26	4.1%
Real Estate Services Business	(0.7%)	95	(0.6%)	94	△1	△1.4%
Total		14,263		15,112	849	6.0%
"New Core Business" of Medium-term Management Plan (marked *)	(9.7%)	1,379	(12.5%)	1,881	502	36.4%

■ Gross Profit	2018/3 1Q		2019/3 1Q			
	Results		Results	YoY	YoY(%)	
※ The ratios on the upper-left corners are Gross Profit margin.						
System Solution Services Business	(19.1%)	2,700	(20.4%)	3,060	359	13.3%
System Development Business	(19.1%)	2,141	(20.2%)	2,336	195	9.1%
New technology *	(-)	-	(29.2%)	24	24	-
System Services Business	(17.4%)	405	(18.7%)	519	114	28.2%
IT as a Service *	(4.8%)	35	(16.2%)	182	147	418.4%
System Products Business *	(23.8%)	153	(30.3%)	203	50	32.7%
Real Estate Services Business	(46.0%)	43	(48.3%)	45	1	3.6%
Total	(19.2%)	2,744	(20.6%)	3,105	361	13.2%
"New Core Business" of Medium-term Management Plan (marked *)	(13.7%)	188	(21.8%)	411	222	117.8%

Net Sales and Gross Profit by Business Segments



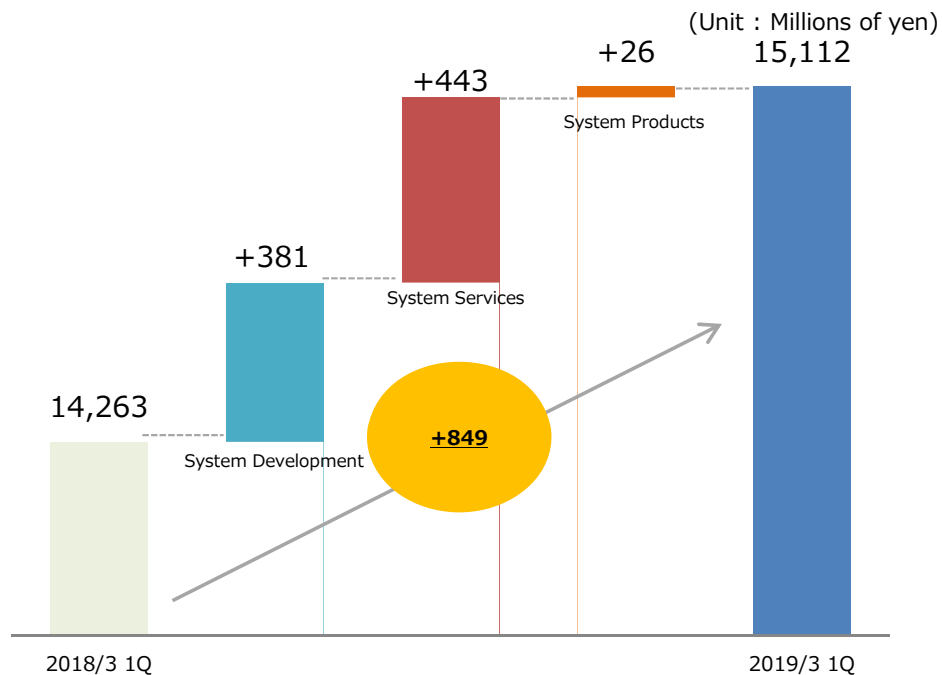
■ Net Sales

Net Sales increased by ¥0.8 billion (+6.0%) year on year, to ¥15.1 billion, as a result of increase in Net Sales of the system service business due to order increase of shareholder benefit service and newly consolidation of Japan Job Posting Service, Inc., in addition to growth in the system development business.

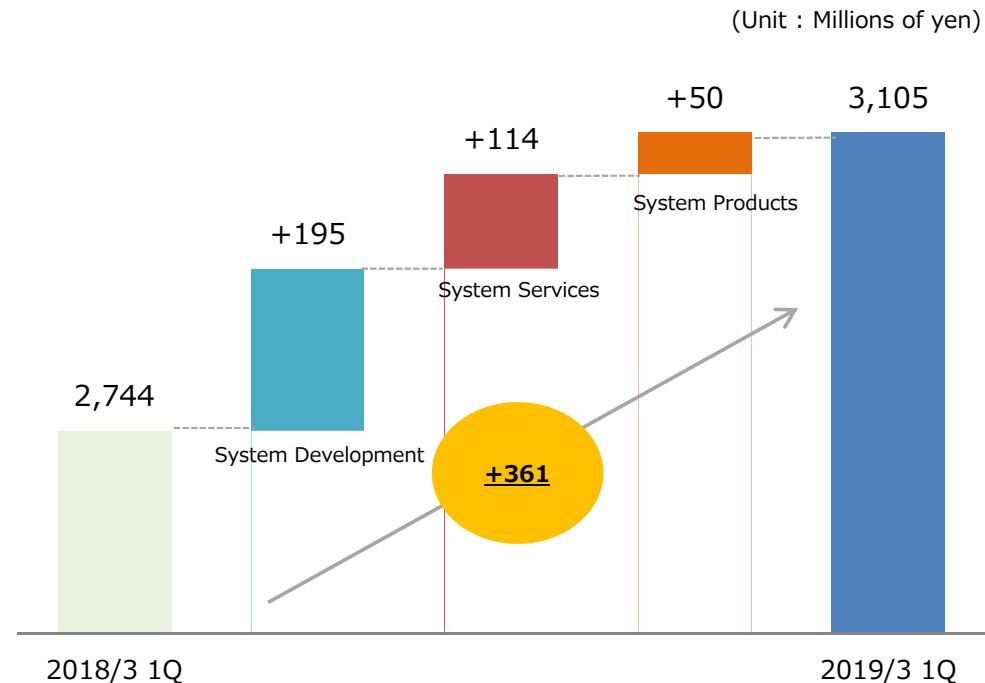
■ Gross Profit

Gross Profit increased by ¥0.3 billion (+13.2%) year on year, to ¥3.1 billion, as a result of improvement of profit ratio in the system products business due to the steady sales of own products, in addition to increase in profits due to growth in Net Sales.

■ Net Sales



■ Gross Profit



Net Sales by End-user Sector



(Unit : Millions of yen)

	2018/3 1Q		2019/3 1Q			
	Results	Composition Ratio(%)	Results	Composition Ratio(%)	YoY	YoY(%)
Finance	5,096	37.7%	5,224	36.4%	127	2.5%
Service	2,198	16.3%	2,579	18.0%	381	17.3%
Manufacturing	1,710	12.7%	1,979	13.8%	269	15.8%
Telecommunication	1,255	9.3%	1,251	8.7%	△3	△0.3%
Transportation	824	6.1%	1,036	7.3%	212	25.7%
Commerce	694	5.1%	690	4.8%	△4	△0.6%
Public	1,223	9.0%	877	6.1%	△345	△28.2%
Construction	290	2.1%	290	2.0%	0	0.3%
Electricity & Gas	134	1.0%	350	2.4%	216	160.9%
Others	94	0.7%	64	0.5%	△29	△31.6%
Total	13,522	100.0%	14,346	100.0%	824	6.1%

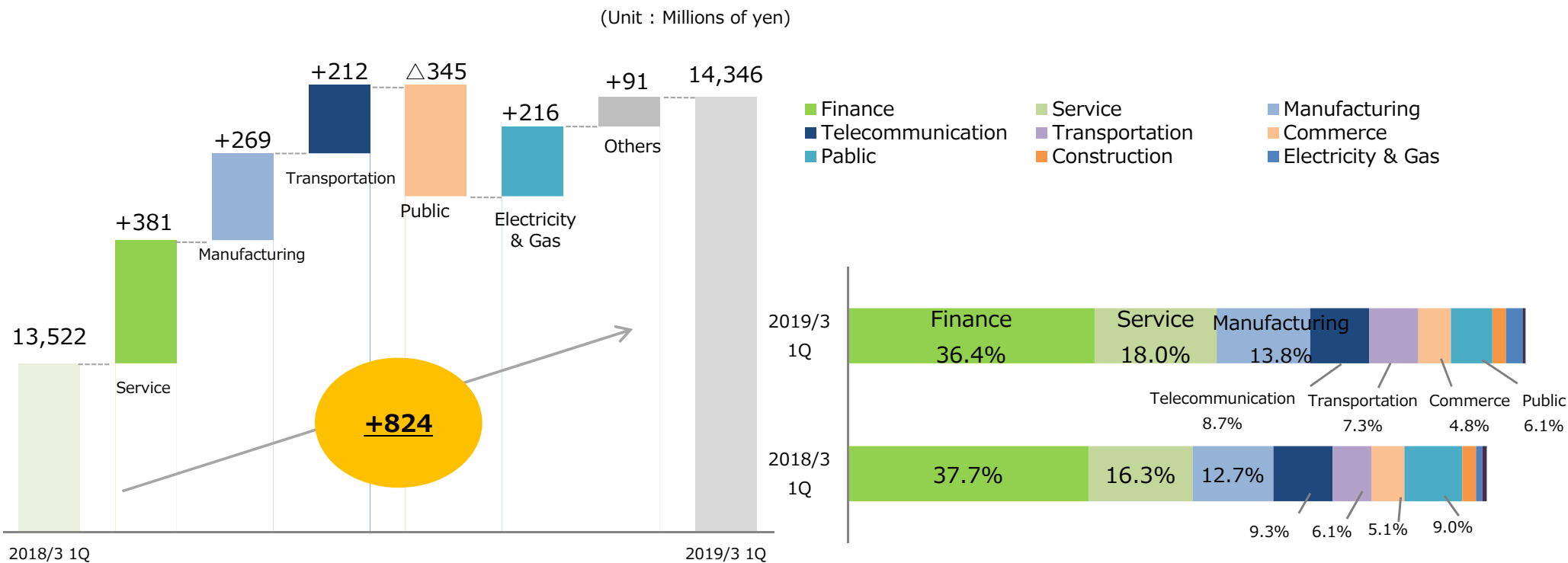
※ Figures indicate net sales of system development business segment and system services business segment.

Net Sales by End-user Sector



■ Net Sales

Net Sales increased by 0.8 billion (+6.1%) year on year, to ¥14.3 billion, as a sales in financial sector remained high, and steady increase in orders for the service sector, manufacturing sector, transportation sector and electricity & gas sector while Net Sales in public sector decrease due to the peak-out of large scale project.



Net Sales by End-user Sector (Financial Sector)



(Unit : Millions of yen)

	2018/3 1Q		2019/3 1Q			
	Results	Composition Ratio(%)	Results	Composition Ratio(%)	YoY	YoY(%)
Major Banks	2,128	41.8%	1,793	34.3%	△334	△15.7%
Regional/Other Banks	552	10.8%	736	14.1%	183	33.2%
Insurance Companies	1,630	32.0%	1,876	35.9%	245	15.0%
Securities Companies	273	5.4%	332	6.4%	58	21.4%
Credit Card Companies	315	6.2%	321	6.2%	6	2.0%
Others	196	3.8%	164	3.1%	△ 31	△16.2%
Toal	5,096	100.0%	5,224	100.0%	127	2.5%

※ Figures indicate net sales of system development business segment and system services business segment.

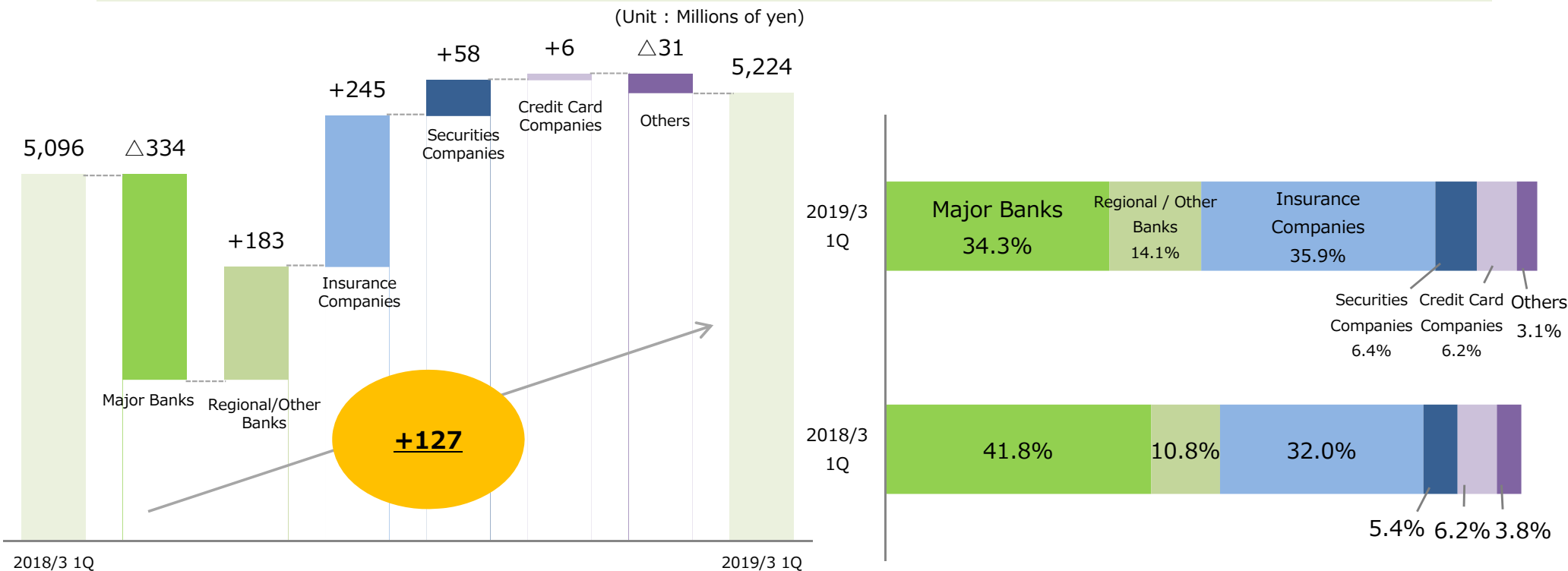
Net Sales by End-user Sector (Financial Sector)



■ Net Sales(Financial Sector)

Net Sales increased by +2.5% year on year, to ¥5.2 billion, covering the decrease in sales from major banks by regional / other banks and insurance companies.

- ✓ Major Banks: While orders for RPA and overseas projects increased, net sales declined due to the peak-out of large-scale projects.
- ✓ Regional/Other Banks: Net Sales increased due to receiving new projects and exploits of existing projects.
- ✓ Insurance Companies: Net Sales increased due to orders for large projects continued and additional projects from existing customers.



Trends of Order Value / Net Sales / Order Backlog



(Unit : Millions of yen)

		Order Value	YoY(%)	Net Sales	YoY(%)	Order Backlog	YoY(%)
2018/3	1Q	14,678	—	13,522	7.2%	12,439	—
	2Q	13,743	—	13,676	6.4%	12,506	—
	1st-half	28,421	—	27,198	6.8%	12,506	—
	3Q	11,966	—	13,796	4.8%	10,675	—
	4Q	15,659	—	13,917	1.8%	12,418	—
	Full-year	56,047	—	54,912	5.0%	12,418	10.1%
2019/3	1Q	15,676	6.8%	14,346	6.1%	13,748	10.5%

※ Figures indicate sum of system development business segment and system services business segment.

Reference1 : Trends of Financial Results



(Unit : Millions of yen)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3			2019/3		
						Results	YoY	YoY(%)	Estimate	YoY	YoY(%)
Net Sales	36,632	40,285	42,990	51,585	55,234	58,080	2,845	5.2%	60,000	1,919	3.3%
Gross Profit	(20.6%) 7,564	(21.4%) 8,630	(21.4%) 9,213	(21.2%) 10,911	(20.8%) 11,472	(20.5%) 11,907	435	3.8%	(21.0%) 12,600	692	5.8%
SG & A Expenses	(8.4%) 3,080	(9.4%) 3,781	(9.5%) 4,069	(8.8%) 4,532	(7.8%) 4,298	(6.9%) 3,989	△ 309	△ 7.2%	(7.5%) 4,500	510	12.8%
Operating Income	(12.2%) 4,483	(12.0%) 4,848	(12.0%) 5,144	(12.4%) 6,378	(13.0%) 7,173	(13.6%) 7,918	745	10.4%	(13.5%) 8,100	181	2.3%
Ordinary Income	4,530	5,076	5,326	6,456	7,300	8,119	819	11.2%	8,200	80	1.0%
Net Income Attributable to Owners of the Parent	(6.7%) 2,454	(7.9%) 3,165	(6.9%) 2,973	(6.0%) 3,110	(8.2%) 4,543	(9.2%) 5,368	825	18.2%	(9.2%) 5,500	131	2.4%
Net Income per Share (yen)	58.37	76.19	72.04	70.98	105.81	126.76	20.95	19.8%	130.22	3.46	2.7%
DPS (yen)	27	32	※2 33	37	44	52	—	—	54	—	—
Dividend Payout Ratio	46.3%	42.0%	※2 45.8%	52.1%	41.6%	41.0%	—	—	—	—	—
Shareholder Equity	41,940	42,714	42,229	40,999	43,374	45,368	—	—			
Shareholder Equity Ratio	88.6%	88.4%	84.8%	85.1%	85.2%	83.9%	-1.3%	—			
ROE	6.0%	7.5%	6.9%	7.5%	10.8%	12.1%	1.3%	—			

※1 The rates on the upper-left comers are percentage to Net Sales.

※2 DPS and Payout ratio are shown excluding commemorative dividends.

In the fiscal year ended March 31, 2015, a dividend of 45 yen was paid to commemorate the 45th anniversary of the founding.

Reference2 : Summary of Medium-term Management Plan(FY2018 ~ FY2020)



【Changes in the environment】

New technologies (AI, IoT) are progressing.

Customers' strategic IT technologies are accelerating.

Needs to enhance capability for new technologies.

【Basic Strategies】

1. Seek additional growth opportunities in **new business and new technologies area.**
2. **Improve adaptability of new technologies** in system development.
3. Further enhancement of **human resource and capability of organization.**

Net Sales

63 billion yen

Net Sales from
New core business

10 billion yen

Operating Income
margin

More than **13%**

ROE

More than **11%**

* The new core business refers to business related to new technology areas, system service business, and system product business.

(¥ Million)

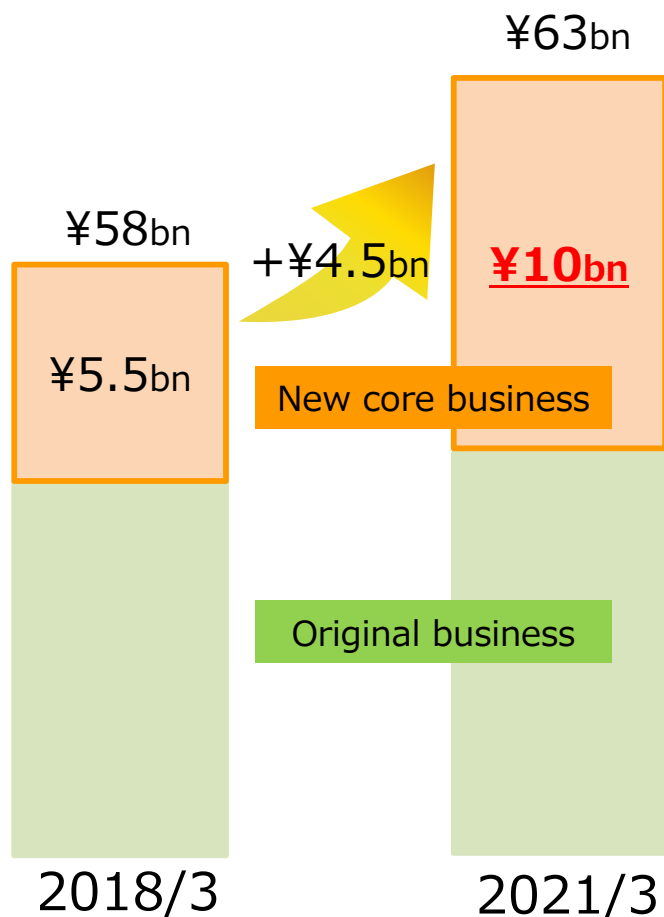
	2018/3 Results	2019/3	2020/3	2021/3
Net Sales	58,080	60,000	61,500	63,000
New core business	5,595	6,600	7,800	10,000
Operating Income	7,918	8,100	8,300	8,500
Operating Income margin(%)	13.6	13.5	13.5	13.5
Ordinary Income	8,119	8,200	8,400	8,600
Net Income	5,368	5,500	* 5,300	5,700

* Extra ordinary losses about 500 million yen is planned to be accounted as anniversary event cost.

Reference2 : Summary of Medium-term Management Plan(FY2018 ~ FY2020)



◆ Factors for achievement of the plan



+2.0

1 .Enhance the system service.

- Healthcare IT Expansion of functions of the remote health support service "CARENA".
- Educational IT Deployment of e-portfolio "ManaBOX" through collaborating with major learning cram schools.
- Human Resource IT Realizing of synergy effects among NM systems and Japan Job Posting Service.

+0.5

2 .Seek additional growth opportunities in new business and new technology area.

- Established Advanced Technology Promotion Division, put resources actively into new technology areas.
- Developing new business models through the alliance with venture companies.

+0.5

3 .Strengthen the system products.

- Strengthen and improve our sales force, promote cross-selling.
- Develop of new products through technical collaboration with other companies.

+1.5

4 .Improve the adaptability of new technologies in the system development.

- Improve consulting capabilities and enhance proposal capabilities.
- New cultivation based on RPA etc. by sales division across each business division.
- Speeding up project managers and project leaders and rising overall skill level.



New technology field

【Efforts for the Future】

- Newly established Advanced Technology promotion Division (April 2018)
 - ✓ Consolidated 3 related departments to expand our business in new technology field.

(Purpose)

 - Promotes basic research of advanced technology such as AI and IoT.
 - Fuses our know-how of system development and knowledge of new technology.

⇒Respond to customers' needs furthermore.
- Signed strategic alliance with Rist Inc., an AI venture company from Kyoto University (May 2018)
 - ✓ Work in **joint research and development utilizing AI** such as deep learning and machine learning in advanced technology field.
 - ✓ SE from Rist participates to projects in Advanced Technology Promotion Division, and promotes to develop new solutions together.

【Efforts in Practical Use】

- RPA/AI-OCR
 - ✓ In financial sections, conducting system development project utilizing RPA to improve work efficiency.
 - ✓ In automobile and retailing manufacture, contribute to improve extensively work efficiency utilizing AI-OCR in addition to RPA.

⇒Contributed to reduction of cost and working time by automating simple tasks.

New business field

【Established Joint Venture Company with Konoike Transport Co., Ltd. (July 2018)】

- Purpose
 - ✓ Planning, designing, developing systems for KONOIKE Group.
 - ✓ **Improving SE's skill of the group on advanced technology.**
 - ✓ Introducing IT services such as IoT and robot technologies to customers of the group.
- Business Scheme
 - ✓ Establishing the joint venture company with capital fund of ¥80 million (Konoike70%, NSD30%) in this July.
 - ✓ Konoike is in charge of IT strategy and management of the joint venture company. Konoike outsources system related business to the joint venture company.
 - ✓ NSD sends PM・SE to the joint venture company to carry out projects and support education of SE. **NSD receives projects from the joint venture company and support implementation of projects.**

Corporate Profile of Konoike Transport

- ✓ General logistics company initiated in 1880 as a private merchant. Strength in integrated solutions business that undertakes various operations on the premises of customer's factory as well as transport business.

Foundation	May 30, 1945
Listed in	Tokyo Stock Exchange 1st Section
Consolidated net sales	FY 2016 ¥258.3billion
	FY 2017 ¥276.7billion

Reference4 : News



Release Date	Category	Details
April / 11 / 2018	Strategic Alliance	NSD signed partner alliance with ABBYY Japan Co., Ltd. <ul style="list-style-type: none"> • NSD became an official agent of ABBYY products in Japan. • Provides solutions in AI-OCR field together.
April / 20 / 2018	Strategic Alliance	NSD signed basic agreement on establishment of joint venture company with Konoike Transport Co., Ltd. <ul style="list-style-type: none"> • Established joint venture company of system development. (July 2018) • Improving SE's skill of Konoike group on advanced technology and introducing IT services to customers of Konoike group.
May / 10 / 2018	Medium-term Management Plan	Released Medium-term Management Plan (FY2018~FY2020) <ul style="list-style-type: none"> • Target Net Sales on FY2020 is 63 billion yen. • Enhancement of New Core Business focusing on new technologies. • Memorial dividend of the 50th anniversary is scheduled on FY2019.
May / 10 / 2018	Strategic Alliance	NSD signed strategic alliance with Rist Inc., an AI venture company. <ul style="list-style-type: none"> • Trying to speed up the development through the joint research and development with Rist in advanced technology field using deep learning and AI.
May / 10 / 2018	Corporate Finance	Resolved Share Repurchase. ※Result(released on June 25) <ul style="list-style-type: none"> • Repurchase period : 2018/5/11~2018/6/22 • Total number of shares repurchased : 414,000 shares • Total amount repurchased : 999,847,700 yen
July / 30 / 2018	Organization Restructuring	Merger of subsidiaries and Change of the Company's Trade Name. <ul style="list-style-type: none"> • NMsystems CO., LTD. and Japan Job Posting Service, Inc. are merged and the trade name of NMsystems will be changed to StellaS CO., LTD. (October 2018) • Tries to improve management efficiency and promptly demonstrate synergy effects, thereby NSD will further expand our business in human resources management system.

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